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SUBJ: LIBERAL/COUNTRY PARTY ELECTION POSITION ON ECONOMIC ISSUES

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1. BEGIN SUMMARY. (THIS MESSAGE SUMMARIZES ECONOMIC POINTS OF INTEREST FROM U.S. STANDPOINT FROM DETAILS LIBERAL/COUNTRY PARTY POSITION PAPERS FOR GENERAL ELECTION ISSUED IN PAST WEEK ON TOPICS OF (1) FOREIGN POLICY, (2) MANUFACTURING AND INDUSTRIAL DEVELOPMENT POLICY, AND (3) TRANSPORT POLICY. SUMMARY AND COMMENT ON OPPOSITION OVERSEAS INVESTMENT POLICY SEPARATELY FORWARDED REF (C).) LIBERAL/COUNTRY PARTY POLICY POSITIONS FOR GENERAL ELECTION ON NUMEROUS ECONOMIC ISSUES OF INTERNATIONAL INTEREST OCCUR IN DETAILED PAPERS ON MANUFACTURING AND INDUSTRIAL DEVELOPMENT, TRANSPORT, AND FOREIGN POLICY, AS WELL AS IN OVERSEAS INVEST-
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MENT AND MINERALS AND ENERGY PAPERS WHICH ARE SUBJECT OF DETAILED

REPORTING IN SEPARATE TELEGRAMS. THE MOST IMPORTANT ECONOMIC CONTENT IS IN THE MANUFACTURING AND INDUSTRIAL DEVELOPMENT PAPER WHICH

RE-ASSERTS THE NEED FOR A VARIETY OF IMPORT PROTECTION DEVICES, TAX BENEFITS, PUBLIC PURCHASING PREFERENCE AND EXPORT PROMOTION MEASURES TO MAINTAIN AND FOSTER AUSTRALIAN INDUSTRIAL GROWTH. THE FOREIGN POLICY PAPER ENDORSES ECONOMIC AID TO DEVELOPING COUNTRIES AND MULTILATERAL ECONOMIC COOPERATION EFFORTS AT DEVELOPMENT OF WORLD RESOURCES ON TERMS FAIR TO PRODUCERS AND CONSUMERS. SHIPPING PARAGRAPH IN TRANSPORT PAPER PLACES PRIMARY EMPHASIS ON ECONOMIC CARRIAGE OF GOODS WHILE PASSING REFERENCE TO INTERNATIONAL AVIATION TAKES NO SIGNIFICANT POSITION. END SUMMARY.

2. PROTECTION POLICY - PROTECTION NECESSARY FOR ECONOMIC AND EFFICIENT INDUSTRIES NORMALLY TO BE PROVIDED THROUGH THE TARIFF BUT IMPORT QUOTAS AND BOUNTIES WOULD BE USED WHERE APPROPRIATE. PAPER EMPHASIZES THAT PRESENT WORLD SHORTAGES DEMONSTRATE DANGER OF FULL RELIANCE ON IMPORT SUPPLIES.

3. TAXES - SUBJECT TO ECONOMIC CIRCUMSTANCES TAX BENEFITS FOR INVESTMENT AND R AND D WOULD BE GIVEN.

4. PURCHASING - GOVERNMENT WOULD SUPPORT MANUFACTURERS AND RETAILERS IN SPONSORING NEW "BUY AUSTRALIAN" CAMPAIGN, AND WOULD GIVE PREFERENCE IN DEFENSE CONTRACTS TO LOCAL SOURCES SUBJECT TO QUALITY AND COMPETITIVE PRICES.

5. EXPORT PROMOTION - OPPOSITION WOULD IF ELECTED OPT NEW EXPORT DEVELOPMENT ACT, CONTAINING MARKET DEVELOPMENT ALLOWANCES AND EXPORT INCENTIVE GRANTS AND WOULD EXPAND AUSTRALIAN TRADE COMMISSIONER SERVICE.

6. EMBASSY COMMENT: THE PROPOSALS ON FOREIGN AID AND INTERNATIONAL COMMODITY QUESTIONS ARE RELATIVELY LOW KEY, AND SO FAR AS THEY GO ARE CONSISTENT WITH THE STATED POSITION OF THE PRESENT GOA. THE TRANSPORT DISCUSSION IS PERFUNCTORY ALTHOUGH IT IS NOTABLE FOR AVOIDING THE PROPOSALS FOR A DRAMATIC BUILD-UP OF AUSTRALIAN MERCHANT SHIPPING CAPACITY WHICH ARE AT LEAST NOMINALLY SUPPORTED BY PRESENT LIMITED OFFICIAL USE

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GOVERNMENT. THE PROPOSALS FOR DOMESTIC INDUSTRIAL PROTECTION, AND MORE VIGOROUS EXPORT STIMULATION DIVERGE MUCH MORE SHARPLY FROM THE PRACTICE AND PRESENT POSITION OF THE CURRENT GOVERNMENT. SINCE DECEMBER 1972 THE GOVERNMENT HAS PROGRESSIVELY ENCOURAGED IMPORTS BY EXCHANGE RATE AND TARIFF MEASURES AS A MAJOR PART

OF ITS ANTI-INFLATION PROGRAM, AND HAS PROJECTED A REDUCTION IN PAST EXPORT INCENTIVE MEASURES. THE OPPOSITION PARTIES, IF ELECTED,

WOULD TEND TO MOVE TO A LESS LIBERAL IMPORT REGIME AS A MATTER OF BASIC POLICY, QUITE ASIDE FROM ANY NEW DEVELOPMENTS IN THE BALANCE OF PAYMENTS. DURING THE PAST WEEK, FOR EXAMPLE, SNEDDEN HAS PUBLICLY STATED THAT THE AUSTRALIAN TEXTILE INDUSTRY IS SERIOUSLY THREATENED BY CURRENT TARRIFF LIBERALIZATION, AND THAT IN THE EVENT OF A LIBERAL/COUNTRY GOVERNMENT AN IMMEDIATE STUDY WOULD BE MADE OF THE NEED FOR URGENT REMEDIAL MEASURES AGAINST TEXTILE IMPORTS. IN THE SAME STATEMENT HE POINTED OUT THAT THE GOA TARIFF MEASURES HAD FAILED IN THEIR PURPOSE BECAUSE TARIFF REDUCTIONS HAD NOT BEEN FULLY REFLECTED IN INTERNAL PRICES. IN THE EVENT OF A LIBERAL/COUNTRY ELECTION VICTORY, THE NEW GOVERNMENT APPEARS LIKELY TO FACE SOME POLICY PROBLEMS AT THOSE POINTS WHERE ITS INDUSTRIAL DEVELOPMENT, OVERSEAS INVESTMENT AND ANTI-INFLATION PROGRAMS MEET. BARRING A MAJOR CHANGE IN THE PRESENT OVERHEATED ECONOMIC SITUATION, THE MEASURES PROPOSED TO INCREASE PUBLIC SPENDING (ALTHOUGH AT A LOWER RATE OF INCREASE), REDUCE TAXES, OPEN UP FOREIGN CAPITAL INFLOW, INCREASE EXPORTS AND RAISE PROTECTION AGAINST IMPORTS MAY NOT ALL FIT NEATLY INTO AN ECONOMIC PROGRAM, THE OVERRIDING OBJECTIVE OF WHICH IS TO COMBAT AUSTRALIA'S SEVERE INFLATION.

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